

EXECUTIVE SUMMARY

The forecast presented here can be described as a “new and improved version” of the Idaho economic outlook. Indeed, this forecast is slightly more bullish than the forecast that was published in January 2005. In the current forecast, Idaho nonfarm employment advances 2.5% this year and averages 1.8% growth thereafter. At this pace, nonfarm employment reaches 630,439 in 2008. Both Idaho nominal and real personal income post their strongest growth in 2004, 6.4% and 4.1%, respectively. During the 2005 to 2008 period, Idaho nominal income rises 5.5% annually. Over this same period Idaho real personal income increases 3.5%. Perhaps the most notable change is Idaho construction employment. In January 2005, the number of construction jobs was forecast to peak at 39,000 in 2004 then gradually decline over the forecast period. However, data available since then show construction employment was still strong in late 2004. This should carry momentum into this year, so Idaho construction employment is now expected to peak at around 40,200 in 2005. As in the previous forecast, Idaho construction employment is expected to eventually slip, but the decline from its peak will not be as steep. Part of the reason construction employment has been so strong is because of healthy housing starts. In summary, Idaho’s economic outlook has improved compared to the January 2005 *Idaho Economic Forecast*. The Gem State can expect slow, steady growth over the forecast period. While this may not match the state’s stellar showing in the 1990s, it is a welcome improvement from its soft performances in 2002 and 2003.

This spring has brought renewed optimism about the national economy. This can be seen in many key indicators that have been revised upward since the last *Forecast* was published. Nominal GDP is not only higher than the previous projection, but actually grows faster. As a result of this faster growth, the gap between the current and previous nominal GDP projections, expressed as a percent, rises from 0.6% in 2005 to 1.2% in 2008. Interestingly, the gap between the two output estimates remains at about 0.5% in all years even when both are adjusted for inflation. This is because inflation is higher in the current forecast than in the previous one. This year should be the strongest on the forecast horizon. Real GDP is forecast to advance 3.7% in 2005. On the other hand both nonfarm employment and real personal income should advance at a healthier clip in 2005 than in 2004. Economic growth is expected to cool gradually after this year. Real GDP growth should average about 3%. Employment and income growth will also slow. One thing that remains from the previous forecast is high priced oil. Fortunately, higher oil prices have not yet triggered runaway inflation. In summary, the U.S. economy gained strength in 2004. Some of the momentum from last year should carry over into 2005, also making it a year of healthy growth. The U.S. economy should continue expanding after this year, but its rate of growth is expected to slow over time.

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
APRIL 2005**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP (BILLIONS)											
Current \$	8,747	9,268	9,817	10,128	10,487	11,004	11,733	12,430	13,052	13,733	14,450
% Ch	5.3%	6.0%	5.9%	3.2%	3.5%	4.9%	6.6%	5.9%	5.0%	5.2%	5.2%
2000 Chain-Weighted	9,067	9,470	9,817	9,891	10,075	10,381	10,842	11,247	11,591	11,946	12,302
% Ch	4.2%	4.4%	3.7%	0.8%	1.9%	3.0%	4.4%	3.7%	3.1%	3.1%	3.0%
PERSONAL INCOME - CURR \$											
Idaho (Millions)	27,287	29,068	31,290	33,091	33,963	34,955	37,195	39,169	41,326	43,610	46,124
% Ch	7.6%	6.5%	7.6%	5.8%	2.6%	2.9%	6.4%	5.3%	5.5%	5.5%	5.8%
Idaho Nonfarm (Millions)	26,371	28,075	30,474	32,095	33,011	34,030	36,217	38,183	40,274	42,503	45,010
% Ch	7.1%	6.5%	8.5%	5.3%	2.9%	3.1%	6.4%	5.4%	5.5%	5.5%	5.9%
U.S. (Billions)	7,423	7,802	8,430	8,724	8,879	9,162	9,671	10,224	10,792	11,376	12,021
% Ch	7.3%	5.1%	8.0%	3.5%	1.8%	3.2%	5.6%	5.7%	5.6%	5.4%	5.7%
PERSONAL INCOME - 2000 \$											
Idaho (Millions)	28,429	29,788	31,289	32,411	32,800	33,128	34,495	35,659	36,987	38,255	39,578
% Ch	6.6%	4.8%	5.0%	3.6%	1.2%	1.0%	4.1%	3.4%	3.7%	3.4%	3.5%
Idaho Nonfarm (Millions)	27,475	28,770	30,473	31,436	31,880	32,251	33,589	34,762	36,045	37,284	38,621
% Ch	6.1%	4.7%	5.9%	3.2%	1.4%	1.2%	4.1%	3.5%	3.7%	3.4%	3.6%
U.S. (Billions)	7,734	7,996	8,429	8,545	8,575	8,683	8,969	9,308	9,658	9,979	10,315
% Ch	6.4%	3.4%	5.4%	1.4%	0.3%	1.3%	3.3%	3.8%	3.8%	3.3%	3.4%
HOUSING STARTS											
Idaho	10,110	10,337	11,515	12,233	13,142	16,293	18,476	18,778	17,433	16,728	15,623
% Ch	14.1%	2.2%	11.4%	6.2%	7.4%	24.0%	13.4%	1.6%	-7.2%	-4.0%	-6.6%
U.S. (Millions)	1,621	1,647	1,573	1,601	1,710	1,853	1,952	1,884	1,726	1,713	1,683
% Ch	9.9%	1.6%	-4.5%	1.8%	6.8%	8.3%	5.4%	-3.5%	-8.4%	-0.8%	-1.7%
TOTAL NONFARM EMPLOYMENT											
Idaho	520,476	538,102	558,578	568,017	568,006	572,506	586,921	597,852	608,257	619,598	630,439
% Ch	2.6%	3.4%	3.8%	1.7%	0.0%	0.8%	2.5%	1.9%	1.7%	1.9%	1.7%
U.S. (Thousands)	125,924	128,992	131,792	131,833	130,345	129,999	131,475	133,736	135,629	136,875	137,821
% Ch	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.4%	0.9%	0.7%
SELECTED INTEREST RATES											
Federal Funds	5.4%	5.0%	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	4.0%	4.3%	4.5%
Bank Prime	8.4%	8.0%	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	7.0%	7.3%	7.5%
Existing Home Mortgage	7.1%	7.3%	8.0%	7.0%	6.5%	5.7%	5.7%	6.2%	6.5%	6.7%	7.1%
INFLATION											
GDP Price Deflator	1.1%	1.4%	2.2%	2.4%	1.7%	1.8%	2.2%	2.1%	1.9%	2.1%	2.2%
Personal Cons Deflator	0.9%	1.7%	2.5%	2.1%	1.4%	1.9%	2.2%	1.9%	1.7%	2.0%	2.2%
Consumer Price Index	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	2.2%	1.7%	1.9%	2.1%

**National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the FOURTH Quarter of 2004**

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
APRIL 2005**

	2004				2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	11,473	11,658	11,815	11,989	12,196	12,357	12,517	12,648	12,803	12,972	13,135	13,299
% Ch	7.4%	6.6%	5.5%	6.0%	7.1%	5.4%	5.3%	4.3%	5.0%	5.4%	5.1%	5.1%
2000 Chain-Weighted	10,698	10,785	10,891	10,993	11,102	11,212	11,305	11,370	11,451	11,548	11,639	11,726
% Ch	4.5%	3.3%	4.0%	3.8%	4.0%	4.0%	3.3%	2.3%	2.9%	3.4%	3.2%	3.0%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	36,150	37,031	37,385	38,213	38,330	38,876	39,475	39,997	40,545	41,071	41,609	42,080
% Ch	6.5%	10.1%	3.9%	9.2%	1.2%	5.8%	6.3%	5.4%	5.6%	5.3%	5.3%	4.6%
Idaho Nonfarm (Millions)	35,196	36,026	36,451	37,195	37,387	37,915	38,450	38,980	39,516	39,999	40,541	41,039
% Ch	7.8%	9.8%	4.8%	8.4%	2.1%	5.8%	5.8%	5.6%	5.6%	5.0%	5.5%	5.0%
U.S. (Billions)	9,445	9,593	9,700	9,947	10,018	10,156	10,297	10,425	10,577	10,722	10,867	11,001
% Ch	5.0%	6.4%	4.6%	10.6%	2.9%	5.7%	5.7%	5.0%	6.0%	5.6%	5.5%	5.0%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	33,829	34,389	34,609	35,154	35,081	35,475	35,880	36,201	36,552	36,854	37,158	37,384
% Ch	3.1%	6.8%	2.6%	6.5%	-0.8%	4.6%	4.6%	3.6%	3.9%	3.4%	3.3%	2.5%
Idaho Nonfarm (Millions)	32,937	33,456	33,744	34,218	34,217	34,599	34,949	35,281	35,624	35,892	36,204	36,460
% Ch	4.4%	6.5%	3.5%	5.7%	0.0%	4.5%	4.1%	3.9%	3.9%	3.0%	3.5%	2.9%
U.S. (Billions)	8,839	8,908	8,980	9,151	9,168	9,268	9,359	9,435	9,535	9,621	9,704	9,773
% Ch	1.7%	3.2%	3.3%	7.8%	0.8%	4.4%	4.0%	3.3%	4.3%	3.6%	3.5%	2.9%
HOUSING STARTS												
Idaho	16,643	17,759	19,298	20,205	19,892	19,298	18,403	17,518	17,456	17,530	17,419	17,329
% Ch	-21.1%	29.6%	39.4%	20.2%	-6.0%	-11.4%	-17.3%	-17.9%	-1.4%	1.7%	-2.5%	-2.0%
U.S. (Millions)	1,943	1,920	1,969	1,978	2,047	1,890	1,820	1,779	1,745	1,726	1,720	1,713
% Ch	-16.8%	-4.7%	10.8%	1.7%	14.7%	-27.3%	-14.0%	-8.7%	-7.3%	-4.3%	-1.4%	-1.7%
TOTAL NONFARM EMPLOYMENT												
Idaho	579,966	586,622	589,520	591,575	593,524	596,522	599,511	601,851	604,414	606,723	609,528	612,364
% Ch	3.2%	4.7%	2.0%	1.4%	1.3%	2.0%	2.0%	1.6%	1.7%	1.5%	1.9%	1.9%
U.S. (Thousands)	130,541	131,325	131,731	132,302	132,822	133,437	134,081	134,604	134,998	135,475	135,873	136,171
% Ch	1.2%	2.4%	1.2%	1.7%	1.6%	1.9%	1.9%	1.6%	1.2%	1.4%	1.2%	0.9%
SELECTED INTEREST RATES												
Federal Funds	1.0%	1.0%	1.4%	2.0%	2.4%	2.9%	3.5%	3.9%	4.0%	4.0%	4.0%	4.1%
Bank Prime	4.0%	4.0%	4.4%	4.9%	5.4%	5.9%	6.5%	6.9%	7.0%	7.0%	7.0%	7.1%
Existing Home Mortgage	5.6%	5.7%	5.8%	5.7%	5.7%	6.0%	6.4%	6.6%	6.6%	6.5%	6.5%	6.5%
INFLATION												
GDP Price Deflator	2.8%	3.2%	1.4%	2.1%	2.7%	1.3%	1.9%	1.9%	2.0%	1.9%	1.9%	2.0%
Personal Cons Deflator	3.3%	3.1%	1.3%	2.5%	2.1%	1.2%	1.6%	1.7%	1.6%	1.9%	1.9%	2.1%
Consumer Price Index	3.9%	4.4%	1.6%	3.6%	2.4%	1.0%	1.5%	1.7%	1.6%	1.9%	1.9%	2.1%

**National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the FOURTH Quarter of 2004**